



Floor Stocks Tax Filings

By Evelyn Wilson (202) 927-3580

The Balanced Budget Act of 1997 (Public Law 105-33, Section 9302) imposed a floor stocks tax on cigarettes effective January 1, 2002, as a result of an increase in the Federal excise tax. The floor stocks tax is imposed on all Federally taxpaid or tax determined cigarettes held for sale on the effective date. The tax is the difference between the previous excise tax rate and the new tax rate. The new tax rate for small (Class A) cigarettes will increase \$2.50 per thousand, or five cents for a pack of 20.

All tobacco product manufacturers, wholesalers, importers, retailers who sell cigarettes, must document (either by record or physical inventory) all taxpaid or tax determined cigarettes held for sale on January 1, 2002. An inventory of cigarettes labeled for export must be counted separately. Each taxpayer is allowed a tax credit of up to \$500. However, if their tax liability is less than \$500 they will not be required to file a tax return. All tax returns must be filed no later than April 1, 2002.

If you have any questions concerning cigarette floor stocks tax please call the Revenue Operations Branch at (202) 927-8200 or refer to the ATF web site at www.atf.treas.gov. ■



Framework Convention on Tobacco Control

By Earnestine O'Pharow (202) 927-3580

On November 21-28, 2001, in Geneva, Switzerland, the Bureau of Alcohol, Tobacco and Firearms was a participating member of the United States delegation to the Framework Convention on Tobacco Control (FCTC) that was negotiated by the World Health Organization (WHO). This convention marks the third meeting of approximately 161 countries combined to form the Intergovernmental Negotiating Body (INB3). The Bureau of Alcohol, Tobacco and Firearms' (ATF) participation was regarding the issues of tobacco smuggling, and licensing. Regarding tobacco smuggling, ATF presented to INB3, on behalf of the United States Government (USG), the proposal that there be a tobacco smuggling protocol to address specific technical issues to combat tobacco smuggling at local, national, regional and global levels. The protocol proposal would detail basic obligations of the countries that sign and ratify the convention and protocol. It would also detail international cooperation between parties, exchange of information and provision of technical support, national reports, research and development. In regards to licensing, ATF presented to INB3, the USG support of an establishment of a closed uniform distribution system for regulating interstate commerce in tobacco products. This would include the licensing of manufacturers, importers, exporters, and wholesalers, but not retailers. This issue of licensing would also be addressed in the context of a protocol on illicit trade, namely tobacco smuggling.

ATF also addressed the U.S. position on the destruction of contraband products, and the prohibition on tax-free and duty-free sales of tobacco products. The U.S. proposed that the requirement to destroy all contraband products exclude those products which are "contraband" only because they are not tax paid. On the other hand, the U.S. opposed the prohibition on tax-free and duty-free sales of tobacco products. The prohibition is believed to be too broad, since the U.S. prohibits the imposition of export taxes. Also, the evidence is inconclusive that such sales are a source of illicit trade. ■

Richard Gahagan, ATF Wine Technical Advisor Retires

By Alice Hall (202) 927-8100

Richard's career with ATF started in 1967 as an on-premise inspector in the Fresno, California, field office. He worked as an on-premise inspector, an inspector, senior inspector and as officer-in-charge before being promoted to ATF's Wine Technical Advisor in 1982. He is the first person to hold this position. He received his Masters Degree in Enology in 1982 from California State University, Fresno. As the Bureau's Wine Technical Advisor, he worked on a variety of significant assignments helping both field as well as headquarters efforts.

In 1983 and again in 1999, he worked with the interagency wine committee in negotiating bilateral wine accords with the then European Economic Community (EEC). He was the scientist of the group responsible for addressing the EEC's concerns relating to ATF's winemaking practices. He has also represented the United States at the expert groups Food Safety, Wine Technology, Wine Microbiology, and International Code of Oenological Practice at the *Office International de la Vigne et du Vin* (OIV) in Paris, France. He was also a part of the United States' delegation to the *Codex Alimentarius Commission* that is part of the Food and Agricultural Office of the United Nations. Richard was responsible for providing advice to the U.S. Head of Delegation regarding beverage alcohol additives and contaminant issues.

During his tenure with ATF, Richard participated in over two hundred ATF sponsored industry compliance seminars covering an array of topics including laboratory analysis, enological practices, labeling regulations, distillation, record keeping, bonding requirements, changes in businesses that require reporting to ATF, taxes, importing and exporting. He was also very effective in training Bureau employees.

He coordinated symposia for American Society for Enology and Viticulture annual meetings on such diverse topics as Winery Sanitation; Importation of Bulk Wine; Exports and Laboratory Analyses. Richard has spoken nationwide before numerous industry groups. In addition to his day-to-day activities, Richard served on the Board of Directors of the Viticulture and Enology Research Center at California State University, Fresno; the Technical Projects Committee of the American Society for Enology and Viticulture; and the Grape Germplasm Advisory Committee of the United States Department of Agriculture.

Richard has received numerous awards and recognition culminating with the 2000 Outstanding ATF Professional Employee Award. But perhaps most important, Richard will be remembered for the assistance and advice he gave Bureau employees over the years in virtually every segment of ATF, including Field Operations, all of the Alcohol and Tobacco Directorate Divisions, Chief Counsel's Office and Laboratory Services.

Unfortunately, Richard will be retiring effective January 3, 2002, he will be sorely missed. However, Wine Technical Specialist, Mari A. Kirrane will take over Richard's responsibilities and may be reached at 415-947-5194. ■

Naturally Italian!

By Tracy McNeill (202) 927-8140



On December 4, 2001, employees from the Alcohol Labeling and Formulation Division attended a seminar in Washington, DC presented by the Italian Trade Commission, a foreign government entity. The seminar was associated with the "Naturalmente Italiano" campaign sponsored by the Italian Ministry of Agriculture. The focus of the "Naturalmente Italiano" campaign, and the Italian Trade Commission in general, is to facilitate trade and guarantee the authenticity of Italian products in the United States.

The presenters discussed a full range of topics from the history and geography of Italian grape growing, to the intricacies of the *Controlled Denomination of Origin* and *Typical Geographic Indication* system which governs and protects the commerce of Italian wines. One speaker, a wine expert from California, was especially informative in his overview of Italian appellations and their indigenous varieties. He was also ardent in his belief that Italy is an untapped source of a multitude of yet to be discovered grape varieties and winemaking techniques.

Overall, the seminar, complete with detailed reference materials and visual aids, was a rare occasion for cultural exchange and clarification of relevant labeling and formulation issues. ■